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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

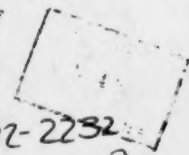
FORM 10-Q

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

For the three months ended March 31, 1992
Commission file number 0-12564



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H92-2232

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ELECTRO-KINETIC SYSTEMS, INC.

(Exact name of registrant as specified in its charter)

Pennsylvania

(State or other jurisdiction of
incorporation or organization)

22-1954716

(I.R.S. Employer
Identification No.)

701 Chestnut Street

Trainer, Pennsylvania

(Address of principal executive offices)

19061

(Zip Code)

PROCESSED BY

(215) 497-4660

(Registrant's phone number, including area code)

JUN 9 1992

Not applicable

(Former name, former address and former Q-Data
if changed since last report)

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St. Petersburg, FL

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter periods that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ☒ No ☐

**BEST COPY
AVAILABLE**

Indicate the number of shares outstanding of each of the issuer's classes of common stock as of the latest practicable date.

Class A Common stock: 11,299,500, as of March 31, 1992

Part I. FINANCIAL INFORMATION

ELECTRO-KINETIC SYSTEMS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

	March 31, 1992 (Unaudited)	December 31, 1991 (Note 1)
ASSETS		
Current assets:		
Cash	\$ 46,503	\$ 13,301
Accounts receivable, net	168,995	175,400
Other receivables	20,488	5,703
Inventories:		
Attributable to discontinued operations (Note 3)	136,546	128,945
Attributable to continuing operations	12,592	12,125
Investment, at equity, in EKS-Asia, Ltd.	140,000	140,000
Prepaid expenses and other current assets	<u>16,562</u>	<u>117</u>
Total current assets	541,688	475,791
Property, plant and equipment, at cost,		
less accumulated depreciation and amortization:		
Attributable to discontinued operations (Note 3)	43,050	43,050
Attributable to continuing operations	<u>367,003</u>	<u>384,855</u>
Total property, plant and equipment	410,053	427,905
Other assets:		
Excess of cost over net assets acquired,		
less accumulated amortization:		
Attributable to discontinued operations (Note 3)	99,810	99,574
Attributable to continuing operations	135,368	135,368
Intangible assets, net	18,313	17,688
Deposits	<u>4,340</u>	<u>4,340</u>
Total other assets	257,831	256,970
Total assets	<u>\$1,209,572</u>	<u>\$1,160,666</u>

ELECTRO-KINETIC SYSTEMS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

	March 31, 1992 (Unaudited)	December 31, 1991 (Note 1)
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Demand notes	\$ 145,490	\$ 149,567
Current portion of long-term debt	442,655	442,655
Obligations under capital leases	31,415	31,415
Accounts payable	170,431	265,252
Accrued expenses and other current liabilities	<u>187,137</u>	<u>144,550</u>
Total current liabilities	977,128	1,033,439
 Long-term debt	 <u>26,045</u>	 <u>45,297</u>
Total liabilities	1,003,173	1,078,736
 Shareholders' equity:		
Class A common shares, no par value; authorized 20,000,000 shares; issued and outstanding 11,587,028 in 1992 and 11,299,500 in 1991 (Note 5)	2,571,192	2,534,876
Class B common shares, no par value; authorized 500,000 shares; none issued and outstanding	-	-
Additional paid-in capital	121,086	-
Accumulated deficit	<u>(2,485,879)</u>	<u>(2,452,946)</u>
Total shareholders' equity	206,399	81,930
Total liabilities and shareholders' equity	<u>\$1,209,572</u>	<u>\$1,160,666</u>

See notes to condensed consolidated financial statements

ELECTRO-KINETIC SYSTEMS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF (LOSS)
(Unaudited)

	Three months ended March 31,	
	1992	1991
Sales	\$ 41,896	\$ 82,292
Cost of sales	<u>35,712</u>	<u>48,849</u>
Gross profit	6,184	33,443
Operating expenses	<u>93,980</u>	<u>112,896</u>
Loss from operations	(87,796)	(79,453)
Other income (expense)	<u>3,625</u>	<u>-</u>
Loss from continuing operations	(84,171)	(79,453)
Gain (loss) from discontinued operations (Note 3)	<u>51,238</u>	<u>(15,773)</u>
Net loss	<u>\$ (32,933)</u>	<u>\$ (95,226)</u>
Loss per share of Class A common stock - continuing operations	<u>\$ (.007)</u>	<u>\$ (.007)</u>
Gain (loss) per share of Class A common stock - discontinued operations (Note 3)	<u>\$.004</u>	<u>\$ (.001)</u>
Number of Class A common shares outstanding	<u>11,587,028</u>	<u>11,231,500</u>

See notes to condensed consolidated financial statements

ELECTRO-KINETIC SYSTEMS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (NOTE 2)
(Unaudited)

	Three months ended March 31.	
	1992	1991
Cash from operations	\$ (106,009)	\$ (138,657)
Cash flows from investing activities:		
Capital expenditures	-	(17,000)
Net decrease in other assets	<u>861</u>	<u>7,383</u>
Net cash used by investing activities	<u>861</u>	<u>(9,617)</u>
Cash flows from financing activities:		
Paid-in capital	121,086	-
Proceeds from sale of common stock and debentures	36,316	105,000
Repayment of long-term debt	(19,252)	(8,250)
Additional borrowings	<u>-</u>	<u>40,000</u>
Net cash provided by financing activities	<u>138,150</u>	<u>136,750</u>
Net increase (decrease) in cash	33,002	(11,524)
Cash - beginning of period	<u>13,501</u>	<u>67,558</u>
Cash - end of period	<u>\$ 46,503</u>	<u>\$ 56,034</u>

See notes to condensed consolidated financial statements

ELECTRO-KINETIC SYSTEMS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 1 - Basis of Presentation

The accompanying condensed consolidated financial statements have been prepared in accordance with the generally accepted accounting principles for interim financial information. Accordingly, they do not include all the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation have been included. The balance sheet as of December 31, 1991 has been derived from the audited balance sheet at that date.

Note 2 - Condensed Consolidated Statements of Cash Flows

This presentation is condensed as permitted by the SEC. The classification of cash flows is consistent with the requirements of FASB Statement 95.

Note 3 - Discontinued Operations

As more broadly defined in the notes to consolidated financial statements at December 31, 1991, in January 1992 the Company discontinued operations in E & F Corporation (a 30% affiliate) and in May 1992, the Company sold the Norland Division, solely owned by the Company. Accordingly, 1991 has been restated to comparatively reflect operations related to these discontinued entities.

Note 4 - Supplemental Disclosures

Cash paid for interest for 1992 and 1991 were as follows:

	<u>1992</u>	<u>1991</u>
Interest (net of amount capitalized)	<u>\$12,495</u>	<u>\$29,058</u>

Note 5 - Class A Common Shares

During the first quarter 287,528 shares of common stock were issued when debt was converted and outstanding options were exercised.

Item 2: Management's Discussion and Analysis of Financial Condition and Results of Operations.

Results of Operations

The following discussion should be read in conjunction with the selected financial data and the financial statements appearing elsewhere in the report. Historical results and percentage relationships in the statement of income should not be taken as indicative of future operations.

The Company reclassified its 1990 and 1991 financial statements to reflect the sale of a discontinued operation, the EKS Norland Division. Net sales from continuing operations decreased 4% for the three months ended March 31, 1992, compared to the same period in 1991. This decrease is due primarily to the discontinuance of radon mitigation operations by DMA-RadTech, Inc., the Company's radiation testing facility, in February 1992, and in part to continuing weakness in the radon in air market.

Cost of sales was 224% and 137% of sales for the three months ended March 31, 1992 and 1991, respectively. This increase was due to the necessity to absorb fixed costs over a lower sales base.

Selling, general and administrative expenses decreased by \$18,916 (224% and 137% of net sales for the three months ended March 31, 1992 and 1991, respectively). The decrease in amount is due to management's efforts to keep expenditures in line with available capital.

Capital Resources and Liquidity

The Company's near term cash requirements have been satisfied from current revenues, new investment, and utilization of a line of credit from a commercial lender, effected in October 1991. This loan was paid in full at the closing of the EKS Norland sale in May 1992. In December, 1991, a group of outside investors agreed to finance growth in environmental areas and invested approximately \$150,000 during the first quarter of 1992. The investment was made in return for common stock commitments. Refer to the Company's 1991 Annual Report on Form 10-K for further details.

The Company's long term debt consists primarily of a mortgage on Corporate Headquarters, and equipment loans. The balance at March 31, 1992 was 468,700, of which \$442,655 was classified as a current liability, as a result of a technical default reported by the Company's auditors at 12/31/91. The Company has not received default notices from the financial institutions involved, and has continued to make monthly payments, which total approximately \$6,000.

Other than the above, the Company does not presently utilize bank lines of credit. At March 31, 1992, the Company had a ratio of current assets to current liabilities of 0.54 to 1 and a working capital deficit of \$461,485. At December 31, 1991, the Company had a ratio of current assets to current liabilities of 0.46 to 1 and a working capital deficit of \$557,648. The Company anticipates a need for significant expenditures in the near future, in order to meet sales targets, and to develop new products and processes. The Company believes that the balance of funds raised as a result of the recent investment by outside investors, along with the proceeds from the sale of EKS Norland, may be insufficient to cover its needs, and is actively pursuing alternate means of raising capital at this time.

In the event the Company is unable to secure additional needed funds, it will take actions necessary to continue operations with the funds available, including, without limitation, borrowing from principals, reducing expenditures, and downsizing its workforce. The Company has taken, and will continue to take, steps to optimize its overall corporate overhead, including reductions of salary and personnel where warranted, and continuing management control over corporate expenses.

The Company maintains good relations with its banks and other financial institutions.

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	March 31, 1992	December 31, 1991
Working Capital	(\$461,485)	(\$557,648)
Current Ratio	0.54 to 1	0.46 to 1
Stockholder's Equity	\$206,399	\$81,930

SIGNATURES

Pursuant to the requirements of Section 13 or 15 (d)
of the Securities Exchange Act of 1934, the Registrant has
duly caused this report to be signed on its behalf by the
undersigned thereunto duly authorized:

ELECTRO-KINETIC SYSTEMS, INC.

Dated : 9/4/62

By: [Signature]

John J. Reilly, President
Chief Executive Officer,
Chief Financial Officer,
Principal Accounting
Officer.